

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the year ended June 30, 2005

|                                     | Agency<br>Fund                             |
|-------------------------------------|--|
|                                     | <u>                    </u>                |
| <b>Assets</b>                       |  |
| Cash and cash equivalents           | \$       157,486                           |
| Accounts receivable                 | <u>                    -</u>               |
| <b>Total assets</b>                 | <u>\$       157,486</u>                    |
| <br><b>Liabilities</b>              |  |
| Accounts payable                    | \$       15,860                            |
| Due to student groups               | <u>         141,626</u>                    |
| <b>Total liabilities</b>            | <u>         157,486</u>                    |
| <br><b>Net Assets Held in Trust</b> | <br>\$ <u><u>                    -</u></u> |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2005

|   | Food<br>Service<br>Fund  |
|---|--------------------------|
| <b>Assets</b>                                   |                          |
| <b><u>Current Assets</u></b>                    |                          |
| Cash and cash equivalents                       | \$ 239,962               |
| Inventory                                       | 31,639                   |
| Accounts receivable                             |                          |
| Taxes - current                                 | -                        |
| Taxes - delinquent                              | -                        |
| Accounts receivable                             | -                        |
| Intergovernmental - state                       | -                        |
| Intergovernmental - indirect federal            | 94,036                   |
| Intergovernmental - direct federal              | -                        |
| Interest receivable                             | -                        |
| Investments                                     | -                        |
| <b>Total current assets</b>                     | <u>365,637</u>           |
| <b><u>Noncurrent Assets</u></b>                 |                          |
| Capital assets                                  | 619,113                  |
| Less: accumulated depreciation                  | (556,014)                |
| Investments                                     | -                        |
| <b>Total noncurrent assets</b>                  | <u>63,099</u>            |
| <b>Total assets</b>                             | <u><u>\$ 428,736</u></u> |
| <b>Liabilities</b>                              |                          |
| <b><u>Current Liabilities</u></b>               |                          |
| Accounts payable                                | \$ 17,767                |
| Accrued payroll and related expenses            | 536                      |
| Due to other funds                              | -                        |
| Deferred revenue                                | -                        |
| Current portion of long-term obligations        | -                        |
| Accrued sick leave                              | -                        |
| <b>Total current liabilities</b>                | <u>18,303</u>            |
| <b><u>Net Assets</u></b>                        |                          |
| Invested in capital assets, net of related debt | 63,099                   |
| Unrestricted                                    | 347,334                  |
| <b>Total net assets</b>                         | <u><u>\$ 410,433</u></u> |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

| <b>Assets</b>                                   | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Total</b>         |
|---|------------------------------------|--|----------------------|
| <b><u>Current Assets</u></b>                    |                                    |  |                      |
| Cash and cash equivalents                       | \$ 4,472,911                       | \$ 239,962                               | \$ 4,712,873         |
| Inventory                                       | -                                  | 31,639                                   | 31,639               |
| Accounts receivable                             |                                    |  |                      |
| Taxes - current                                 | 55,504                             | -  | 55,504               |
| Taxes - delinquent                              | 15,409                             | -  | 15,409               |
| Accounts receivable                             | 16,423                             | -  | 16,423               |
| Intergovernmental - State                       | 23,220                             | -  | 23,220               |
| Intergovernmental - Indirect Federal            | 406,025                            | 94,036                                   | 500,061              |
| Prepaid expenses                                | 268,997                            | -  | 268,997              |
| Bond issue costs                                | 65,285                             | -  | 65,285               |
| <b>Total current assets</b>                     | <b>5,323,774</b>                   | <b>365,637</b>                           | <b>5,689,411</b>     |
| <b><u>Noncurrent Assets</u></b>                 |                                    |  |                      |
| Capital assets                                  | 34,588,293                         | 619,113                                  | 35,207,406           |
| Less: accumulated depreciation                  | (11,358,006)                       | (556,014)                                | (11,914,020)         |
| <b>Total noncurrent assets</b>                  | <b>23,230,287</b>                  | <b>63,099</b>                            | <b>23,293,386</b>    |
| <b>Total assets</b>                             | <b>\$ 28,554,061</b>               | <b>\$ 428,736</b>                        | <b>\$ 28,982,797</b> |
| <b>Liabilities</b>                              |                                    |  |                      |
| <b><u>Current Liabilities</u></b>               |                                    |  |                      |
| Accounts payable                                | \$ 75,578                          | \$ 17,767                                | \$ 93,345            |
| Accrued payroll and related expenses            | 77,959                             | 536                                      | 78,495               |
| Deferred revenue                                | 210,958                            | -  | 210,958              |
| Current portion of bond obligations             | 546,000                            | -  | 546,000              |
| Current portion of accrued sick leave           | 143,726                            | -  | 143,726              |
| Interest payable                                | 154,361                            | -  | 154,361              |
| <b>Total current liabilities</b>                | <b>1,208,582</b>                   | <b>18,303</b>                            | <b>1,226,885</b>     |
| <b><u>Noncurrent Liabilities</u></b>            |                                    |  |                      |
| Noncurrent portion of bond obligations          | 10,975,000                         | -  | 10,975,000           |
| Noncurrent portion of accrued sick leave        | 622,447                            | -  | 622,447              |
| <b>Total noncurrent liabilities</b>             | <b>11,597,447</b>                  | <b>-</b>                                 | <b>11,597,447</b>    |
| <b>Total liabilities</b>                        | <b>\$ 12,806,029</b>               | <b>\$ 18,303</b>                         | <b>\$ 12,824,332</b> |
| <b><u>Net Assets</u></b>                        |                                    |  |                      |
| Invested in capital assets, net of related debt | 11,709,287                         | 63,099                                   | 11,772,386           |
| Restricted for:                                 |                                    |  |                      |
| Capital projects                                | 633,687                            | -  | 633,687              |
| Debt service                                    | 1,098                              | -  | 1,098                |
| Unrestricted                                    | 3,403,960                          | 347,334                                  | 3,751,294            |
| <b>Total net assets</b>                         | <b>\$ 15,748,032</b>               | <b>\$ 410,433</b>                        | <b>\$ 16,158,465</b> |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

| FUNCTIONS/PROGRAMS                      | Expenses             | Program Revenues           |  |                                      | Net (Expense) Revenue and<br>Changes in Net Assets |                                 |                        |
|---|----------------------|----------------------------|--|--------------------------------------|--|---------------------------------|------------------------|
|   |                      | Charges<br>for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions | Governmental<br>Activities                         | Business-<br>Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>         |                      |                            |  |                                      |  |                                 |                        |
| Instruction                             | \$ 13,077,841        | \$ 5,431                   | \$ 4,246,890                           | \$ 26,446                            | \$ (8,799,074)                                     | \$ -                            | \$ (8,799,074)         |
| Support services:                       |                      |                            |  |                                      |  |                                 |                        |
| Student                                 | 489,937              | -                          | -                                      | -                                    | (489,937)  | -                               | (489,937)              |
| Instruction staff                       | 1,026,422            | -                          | -                                      | -                                    | (1,026,422)  | -                               | (1,026,422)            |
| District administrative                 | 393,153              | -                          | -                                      | -                                    | (393,153)  | -                               | (393,153)              |
| School administrative                   | 682,310              | -                          | -                                      | -                                    | (682,310)  | -                               | (682,310)              |
| Business                                | 174,338              | -                          | -                                      | -                                    | (174,338)  | -                               | (174,338)              |
| Plant operation and maintenance         | 1,686,552            | -                          | -                                      | -                                    | (1,686,552)  | -                               | (1,686,552)            |
| Student transportation                  | 1,212,313            | -                          | -                                      | -                                    | (1,212,313)  | -                               | (1,212,313)            |
| Central office                          | -                    | -                          | -                                      | -                                    | -  | -                               | -                      |
| Non-instructional                       | -                    | -                          | -                                      | -                                    | -  | -                               | -                      |
| Facilities acquisition and construction | -                    | -                          | -                                      | -                                    | -  | -                               | -                      |
| Community service activities            | 367,243              | -                          | -                                      | -                                    | (367,243)  | -                               | (367,243)              |
| Other                                   | -                    | -                          | -                                      | -                                    | -  | -                               | -                      |
| Interest on long-term debt              | 536,358              | -                          | -                                      | -                                    | (536,358)  | -                               | (536,358)              |
| Depreciation                            | 1,049,563            | -                          | -                                      | -                                    | (1,049,563)  | -                               | (1,049,563)            |
| <b>Total governmental activities</b>    | <b>20,696,030</b>    | <b>5,431</b>               | <b>4,246,890</b>                       | <b>26,446</b>                        | <b>(16,417,263)</b>                                | <b>-</b>                        | <b>(16,417,263)</b>    |
| <b>Business-Type Activities:</b>        |                      |                            |  |                                      |  |                                 |                        |
| Food service                            | 1,220,905            | 283,069                    | 813,374                                | 55,303                               | -  | (69,159)                        | (69,159)               |
| <b>Total business-type activities</b>   | <b>1,220,905</b>     | <b>283,069</b>             | <b>813,374</b>                         | <b>55,303</b>                        | <b>-</b>   | <b>(69,159)</b>                 | <b>(69,159)</b>        |
| <b>Total primary government</b>         | <b>\$ 21,916,935</b> | <b>\$ 288,500</b>          | <b>\$ 5,060,264</b>                    | <b>\$ 81,749</b>                     | <b>\$ (16,417,263)</b>                             | <b>\$ (69,159)</b>              | <b>\$ (16,486,422)</b> |
| <b>General Revenues:</b>                |                      |                            |  |                                      |  |                                 |                        |
| Taxes:                                  |                      |                            |  |                                      |  |                                 |                        |
| Property taxes                          |                      |                            |  |                                      | \$ 1,874,736                                       | \$ -                            | \$ 1,874,736           |
| Motor vehicle taxes                     |                      |                            |  |                                      | 110,638  | -                               | 110,638                |
| Utility taxes                           |                      |                            |  |                                      | 555,251  | -                               | 555,251                |
| Unmined mineral                         |                      |                            |  |                                      | 77,408   | -                               | 77,408                 |
| Investment earnings                     |                      |                            |  |                                      | 102,417  | 4,378                           | 106,795                |
| State and formula grants                |                      |                            |  |                                      | 13,960,569   | 59,243                          | 14,019,812             |
| Gains on sales of fixed assets          |                      |                            |  |                                      | 10,994   | -                               | 10,994                 |
| Miscellaneous                           |                      |                            |  |                                      | 78,566   | -                               | 78,566                 |
| Change in net assets                    |                      |                            |  |                                      | 353,316  | (5,538)                         | 347,778                |
| Net assets - beginning                  |                      |                            |  |                                      | 15,394,716   | 415,971                         | 15,810,687             |
| Net assets - ending                     |                      |                            |  |                                      | <u>\$ 15,748,032</u>                               | <u>\$ 410,433</u>               | <u>\$ 16,158,465</u>   |

See independent auditor's report and accompanying notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2005

|  | General<br>Fund     | Special<br>Revenue | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets and Resources:</b>               |                     |                    |                                |                                |
| Cash and cash equivalents                  | \$ 4,021,742        | \$ (191,832)       | \$ 643,001                     | \$ 4,472,911                   |
| Inventory                                  | -                   | -                  | -                              | -                              |
| Accounts receivable                        |                     |                    |                                | -                              |
| Taxes - current                            | 55,504              | -                  | -                              | 55,504                         |
| Taxes - delinquent                         | 15,409              | -                  | -                              | 15,409                         |
| Accounts receivable                        | 16,423              | -                  | -                              | 16,423                         |
| Intergovernmental - State                  | -                   | 23,220             | -                              | 23,220                         |
| Intergovernmental - Indirect Federal       | -                   | 406,025            | -                              | 406,025                        |
| Prepaid expenses                           | -                   | -                  | -                              | -                              |
| Due from other funds                       | -                   | -                  | -                              | -                              |
| Interest receivable                        | -                   | -                  | -                              | -                              |
| Investments                                | -                   | -                  | -                              | -                              |
| <b>Total assets and resources</b>          | <b>\$ 4,109,078</b> | <b>\$ 237,413</b>  | <b>\$ 643,001</b>              | <b>\$ 4,989,492</b>            |
| <b>Liabilities and Fund Balances:</b>      |                     |                    |                                |                                |
| <b>Liabilities</b>                         |                     |                    |                                |                                |
| Accounts payable                           | \$ 60,175           | \$ 7,187           | \$ 8,216                       | \$ 75,578                      |
| Accrued payroll and related expenses       | 58,691              | 19,268             | -                              | 77,959                         |
| Current portion of accumulated sick leave  | 143,726             | -                  | -                              | 143,726                        |
| Deferred revenue                           | -                   | 210,958            | -                              | 210,958                        |
| <b>Total liabilities</b>                   | <b>262,592</b>      | <b>237,413</b>     | <b>8,216</b>                   | <b>508,221</b>                 |
| <b>Fund Balances</b>                       |                     |                    |                                |                                |
| Reserved for:                              |                     |                    |                                |                                |
| Inventory and fixed assets                 | -                   | -                  | -                              | -                              |
| Encumbrances                               | -                   | -                  | 211,350                        | 211,350                        |
| Accrued sick leave                         | -                   | -                  | -                              | -                              |
| Medicare reimbursement                     | -                   | -                  | -                              | -                              |
| Unreserved:                                |                     |                    |                                |                                |
| Undesignated, reported in:                 |                     |                    |                                |                                |
| General fund                               | 3,846,486           | -                  | -                              | 3,846,486                      |
| Special revenue funds                      | -                   | -                  | -                              | -                              |
| Capital projects funds                     | -                   | -                  | 422,337                        | 422,337                        |
| Debt service funds                         | -                   | -                  | 1,098                          | 1,098                          |
| <b>Total fund balances</b>                 | <b>3,846,486</b>    | <b>-</b>           | <b>634,785</b>                 | <b>4,481,271</b>               |
| <b>Total liabilities and fund balances</b> | <b>\$ 4,109,078</b> | <b>\$ 237,413</b>  | <b>\$ 643,001</b>              | <b>\$ 4,989,492</b>            |

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notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET ASSETS**  
June 30, 2005

|   |                             |
|---|-----------------------------|
| Total fund balance per fund financial statements  | \$ 4,481,271                |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                             |
| Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.  | 23,230,287                  |
| Certain long-term assets are not reported in this fund financial statements because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.  | 65,285                      |
| Expenditures for insurance premiums which extend over more than one accounting period have not been reported in the fund financial statements, but they are reported in the statement of net assets.  | 268,997                     |
| Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets. | <u>(12,297,808)</u>         |
| Net assets for governmental activities  | \$ <u><u>15,748,032</u></u> |

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended June 30, 2005

|   | General<br>Fund     | Special<br>Revenue | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>  |                     |                    |                                |                                |
| From local sources  |                     |                    |                                |                                |
| Taxes   |                     |                    |                                |                                |
| Property  | \$ 1,874,736        | \$ -               | \$ -                           | \$ 1,874,736                   |
| Motor vehicle   | 110,638             | -                  | -                              | 110,638                        |
| Utilities   | 291,424             | -                  | 263,827                        | 555,251                        |
| Unmined mineral   | 77,408              | -                  | -                              | 77,408                         |
| Tuition and fees  | 5,431               | -                  | -                              | 5,431                          |
| Earnings on investments   | 90,869              | 1,575              | 9,973                          | 102,417                        |
| Other local revenues  | 78,566              | 26,446             | -                              | 105,012                        |
| Intergovernmental - state   | 13,042,776          | 1,226,495          | 917,793                        | 15,187,064                     |
| Intergovernmental - indirect federal  | 6,812               | 2,976,261          | -                              | 2,983,073                      |
| Intergovernmental - direct federal  | -                   | 37,322             | -                              | 37,322                         |
| <b>Total revenues</b>   | <b>15,578,660</b>   | <b>4,268,099</b>   | <b>1,191,593</b>               | <b>21,038,352</b>              |
| <b>Expenditures:</b>  |                     |                    |                                |                                |
| Instruction   | 9,821,330           | 3,341,689          | -                              | 13,163,019                     |
| Support services:   |                     |                    |                                |                                |
| Student   | 480,244             | 9,693              | -                              | 489,937                        |
| Instruction staff   | 488,366             | 538,056            | -                              | 1,026,422                      |
| District administrative   | 399,452             | -                  | -                              | 399,452                        |
| School administrative   | 682,310             | -                  | -                              | 682,310                        |
| Business  | 174,338             | -                  | -                              | 174,338                        |
| Plant operation and maintenance   | 1,956,915           | 26,446             | -                              | 1,983,361                      |
| Student transportation  | 1,490,483           | 46,310             | -                              | 1,536,793                      |
| Central office  | -                   | -                  | -                              | -                              |
| Non-instructional   | -                   | -                  | -                              | -                              |
| Facilities acquisition and construction   | -                   | -                  | 624,089                        | 624,089                        |
| Community service activities  | 29,434              | 337,809            | -                              | 367,243                        |
| Other   | -                   | -                  | 1,062,661                      | 1,062,661                      |
| <b>Total expenditures</b>   | <b>15,522,872</b>   | <b>4,300,003</b>   | <b>1,686,750</b>               | <b>21,509,625</b>              |
| <b>Excess (deficit) of revenues over expenditures</b>   | <b>55,788</b>       | <b>(31,904)</b>    | <b>(495,157)</b>               | <b>(471,273)</b>               |
| <b>Other Financing Sources (Uses)</b>   |                     |                    |                                |                                |
| Proceeds from sale of bonds   | -                   | -                  | -                              | -                              |
| Proceeds from sale of fixed assets  | 24,185              | -                  | -                              | 24,185                         |
| Operating transfers in  | 369,384             | 31,904             | 1,381,489                      | 1,782,777                      |
| Operating transfers out   | (622,619)           | -                  | (1,093,663)                    | (1,716,282)                    |
| <b>Total other financing sources (uses)</b>   | <b>(229,050)</b>    | <b>31,904</b>      | <b>287,826</b>                 | <b>90,680</b>                  |
| <b>Excess (deficit) of revenue and other financing sources over expenditures and other financing uses</b> | <b>(173,262)</b>    | <b>-</b>           | <b>(207,331)</b>               | <b>(380,593)</b>               |
| <b>Fund balance, July 1, 2004, as originally stated</b>   | <b>4,019,748</b>    | <b>-</b>           | <b>842,116</b>                 | <b>4,861,864</b>               |
| <b>Prior period adjustment</b>  | <b>-</b>            | <b>-</b>           | <b>-</b>                       | <b>-</b>                       |
| <b>Fund balance, June 30, 2005</b>  | <b>\$ 3,846,486</b> | <b>\$ -</b>        | <b>\$ 634,785</b>              | <b>\$ 4,481,271</b>            |

See independent auditor's report and accompanying notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN****FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2005

|   |              |
|---|--------------|
| Net change in total fund balances per fund financial statements | \$ (380,593) |
|---|--------------|

Amounts reported for governmental activities in the statement of activities  
are different because:

|   |         |
|---|---------|
| Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. | 243,103 |
|---|---------|

|   |          |
|---|----------|
| Proceeds from sale of fixed assets has been reduced by the amount of the undepreciated basis in fixed assets sold | (13,191) |
|---|----------|

|   |         |
|---|---------|
| Bond and capital lease payments are recognized as expenditures of current Financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets. | 525,000 |
|---|---------|

|  |                 |
|--|-----------------|
| Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. | <u>(21,003)</u> |
|--|-----------------|

|   |                          |
|---|--------------------------|
| Change in net assets of governmental activities | \$ <u><u>353,316</u></u> |
|---|--------------------------|



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
Year ended June 30, 2005

|  | Budgeted Amounts   |                    |                     | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|--|--------------------|--------------------|---------------------|--|
|  | Original           | Final              | Actual              |  |
| <b>Revenues:</b>   |                    |                    |                     |  |
| From local sources   |                    |                    |                     |  |
| Taxes  |                    |                    |                     |  |
| Property   | \$ 1,802,653       | \$ 1,835,679       | \$ 1,874,736        | \$ 39,057  |
| Motor vehicle  | 102,318            | 103,274            | 110,638             | 7,364  |
| Utilities  | 210,000            | 210,000            | 291,424             | 81,424   |
| Unmined mineral  | -                  | -                  | 77,408              | 77,408   |
| Tuition and fees   | -                  | -                  | 5,431               | 5,431  |
| Earnings on investments  | 12,000             | 12,000             | 90,869              | 78,869   |
| Other local revenues   | -                  | -                  | 78,566              | 78,566   |
| Intergovernmental - state  | 9,676,525          | 9,852,328          | 13,042,776          | 3,190,448  |
| Intergovernmental - indirect federal   | -                  | -                  | 6,812               | 6,812  |
| Intergovernmental - direct federal   | -                  | -                  | -                   | -  |
| <b>Total revenues</b>  | <b>11,803,496</b>  | <b>12,013,281</b>  | <b>15,578,660</b>   | <b>3,565,379</b>   |
| <b>Expenditures:</b>   |                    |                    |                     |  |
| Instruction  | 7,750,238          | 7,821,825          | 9,821,330           | (1,999,505)  |
| Support services:  |                    |                    |                     |  |
| Student  | 400,508            | 402,405            | 480,244             | (77,839)   |
| Instruction staff  | 418,821            | 383,431            | 488,366             | (104,935)  |
| District administrative  | 1,673,817          | 526,887            | 399,452             | 127,435  |
| School administrative  | 620,612            | 606,819            | 682,310             | (75,491)   |
| Business   | 195,973            | 196,727            | 174,338             | 22,389   |
| Plant operation and maintenance  | 2,064,980          | 2,947,779          | 1,956,915           | 990,864  |
| Student transportation   | 1,513,547          | 1,530,618          | 1,490,483           | 40,135   |
| Central office   | -                  | -                  | -                   | -  |
| Non-instructional  | -                  | -                  | -                   | -  |
| Facilities acquisition and construction  | -                  | -                  | -                   | -  |
| Community service activities   | -                  | -                  | 29,434              | (29,434)   |
| Other  | -                  | 1,651,538          | -                   | 1,651,538  |
| <b>Total expenditures</b>  | <b>14,638,496</b>  | <b>16,068,029</b>  | <b>15,522,872</b>   | <b>545,157</b>   |
| <b>Excess (deficit) of revenues over expenditures</b>  | <b>(2,835,000)</b> | <b>(4,054,748)</b> | <b>55,788</b>       | <b>4,110,536</b>   |
| <b>Other Financing Sources (Uses)</b>  |                    |                    |                     |  |
| Proceeds from sale of bonds  | -                  | -                  | 0                   | -  |
| Proceeds from sale of fixed assets   | -                  | -                  | 24,185              | 24,185   |
| Operating transfers in   | 80,000             | 80,000             | 369,384             | 289,384  |
| Operating transfers out  | (45,000)           | (45,000)           | (622,619)           | (577,619)  |
| <b>Total other financing sources (uses)</b>  | <b>35,000</b>      | <b>35,000</b>      | <b>(229,050)</b>    | <b>(264,050)</b>   |
| <b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b> | <b>(2,800,000)</b> | <b>(4,019,748)</b> | <b>(173,262)</b>    | <b>3,846,486</b>   |
| <b>Fund balance, July 1, 2004, as originally stated</b>  | <b>2,800,000</b>   | <b>4,019,748</b>   | <b>4,019,748</b>    | <b>-</b>   |
| <b>Prior period adjustment</b>   | <b>-</b>           | <b>-</b>           | <b>-</b>            | <b>-</b>   |
| <b>Fund balance, June 30, 2005</b>   | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 3,846,486</b> | <b>\$ 3,846,486</b>  |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE**  
Year ended June 30, 2005

|  | Budgeted Amounts |                  |                  | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|------------------|--|
|  | Original         | Final            | Actual           |  |
| <b>Revenues:</b>   |                  |                  |                  |  |
| From local sources   |                  |                  |                  |  |
| Taxes  |                  |                  |                  |  |
| Property   | \$ -             | \$ -             | \$ -             | \$ -   |
| Motor vehicle  | -                | -                | -                | -  |
| Utilities  | -                | -                | -                | -  |
| Unmined mineral  | -                | -                | -                | -  |
| Tuition and fees   | -                | -                | -                | -  |
| Earnings on investments  | -                | -                | 1,575            | 1,575  |
| Other local revenues   | -                | -                | 26,446           | 26,446   |
| Intergovernmental - state  | 1,344,803        | 1,270,281        | 1,226,495        | (43,786)   |
| Intergovernmental - indirect federal   | 2,408,872        | 2,814,620        | 2,976,261        | 161,641  |
| Intergovernmental - direct federal   | 47,479           | 47,479           | 37,322           | (10,157)   |
| <b>Total revenues</b>  | <b>3,801,154</b> | <b>4,132,380</b> | <b>4,268,099</b> | <b>135,719</b>   |
| <b>Expenditures:</b>   |                  |                  |                  |  |
| Instruction  | 2,863,718        | 3,183,913        | 3,341,689        | (157,776)  |
| Support services:  |                  |                  |                  |  |
| Student  | -                | 47,563           | 9,693            | 37,870   |
| Instruction staff  | 485,880          | 540,836          | 538,056          | 2,780  |
| District administrative  | -                | -                | -                | -  |
| School administrative  | -                | -                | -                | -  |
| Business   | -                | -                | -                | -  |
| Plant operation and maintenance  | -                | -                | 26,446           | (26,446)   |
| Student transportation   | 94,902           | 63,017           | 46,310           | 16,707   |
| Central office   | -                | -                | -                | -  |
| Non-instructional  | -                | -                | -                | -  |
| Facilities acquisition and construction  | -                | -                | -                | -  |
| Community service activities   | 401,654          | 342,051          | 337,809          | 4,242  |
| Site improvement   | -                | -                | -                | -  |
| Other  | -                | -                | -                | -  |
| <b>Total expenditures</b>  | <b>3,846,154</b> | <b>4,177,380</b> | <b>4,300,003</b> | <b>(122,623)</b>   |
| <b>Excess (deficit) of revenues over expenditures</b>  | <b>(45,000)</b>  | <b>(45,000)</b>  | <b>(31,904)</b>  | <b>13,096</b>  |
| <b>Other Financing Sources (Uses)</b>  |                  |                  |                  |  |
| Proceeds from sale of bonds  | -                | -                | -                | -  |
| Proceeds from sale of fixed assets   | -                | -                | -                | -  |
| Operating transfers in   | 45,000           | 45,000           | 31,904           | (13,096)   |
| Operating transfers out  | -                | -                | -                | -  |
| <b>Total other financing sources (uses)</b>  | <b>45,000</b>    | <b>45,000</b>    | <b>31,904</b>    | <b>(13,096)</b>  |
| <b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Fund balance, July 1, 2004, as originally stated</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Prior period adjustment</b>   | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>   |
| <b>Fund balance, June 30, 2005</b>   | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>  |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS****PROPRIETARY FUNDS**

Year ended June 30, 2005

|   | <u>Food<br/>Service<br/>Fund</u> |
|---|----------------------------------|
| <b>Operating Revenues:</b>                |                                  |
| Lunchroom sales                           | \$ 280,457                       |
| Other operating revenues                  | <u>2,612</u>                     |
| <b>Total operating revenues</b>           | 283,069                          |
| <b>Operating Expenses:</b>                |                                  |
| Milk and food                             | 493,998                          |
| Payroll and benefits                      | 544,782                          |
| Supplies                                  | 64,480                           |
| Services                                  | 13,915                           |
| Depreciation                              | 25,376                           |
| Indirect costs                            | <u>66,496</u>                    |
| <b>Total operating expenses</b>           | 1,209,047                        |
| Operating loss                            | (925,978)                        |
| <b>Non-Operating Revenues (Expenses):</b> |                                  |
| Federal grants                            | 797,561                          |
| State grants                              | 15,813                           |
| Revenue for/on behalf payments            | 59,243                           |
| Interest income                           | 4,378                            |
| Other services                            | (11,858)                         |
| Donated commodities                       | <u>55,303</u>                    |
| <b>Total non-operating revenues</b>       | 920,440                          |
| Net income (loss)                         | (5,538)                          |
| <b>Retained earnings, July 1, 2004</b>    | 415,971                          |
| <b>Prior period adjustment</b>            | <u>-</u>                         |
| <b>Retained earnings, June 30, 2005</b>   | <u><u>\$ 410,433</u></u>         |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2005

**Cash Flows from Operating Activities**

|                     |            |
|---------------------|------------|
| Cash received from: |            |
| Lunchroom sales     | \$ 280,457 |
| Government grants   | 950,222    |
| Other activities    | 2,612      |
| Cash paid to/for:   |            |
| Employees           | (554,121)  |
| Supplies            | (540,855)  |
| Indirect costs      | (66,496)   |
| Other activities    | (25,773)   |

**Net cash provided by operating activities** 46,046

**Cash Flows from Capital and Related Financing Activities**

|                             |         |
|-----------------------------|---------|
| Purchases of capital assets | (2,788) |
|-----------------------------|---------|

**Cash Flows from Investing Activities**

|                            |       |
|----------------------------|-------|
| Receipt of interest income | 4,378 |
|----------------------------|-------|

Net increase in cash and cash equivalents 47,636

**Balances, beginning of year** 192,326

**Balances, end of year** \$ 239,962

Reconciliation of operating income (loss) to net cash provided  
(used) by operating activities

Operating income \$ (5,538)

Adjustments to reconcile operating income to net cash provided  
(used) by operating activities

Depreciation 25,376

Interest (4,378)

Change in assets and liabilities

    Receivables 22,302

    Inventory 10,968

    Accounts payable 6,655

    Accrued payroll & benefits (9,339)

**Net cash provided by operating activities** \$ 46,046

**Schedule of non-cash transactions:**

    Donated commodities received from federal government \$ 55,303

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the year ended June 30, 2005

|                                     | Agency<br>Fund       |
|-------------------------------------|----------------------|
|                                     | <hr/>                |
| <b>Assets</b>                       |                      |
| Cash and cash equivalents           | \$ 157,486           |
| Accounts receivable                 | <hr/> -              |
| <b>Total assets</b>                 | <hr/> \$ 157,486     |
| <br><b>Liabilities</b>              |                      |
| Accounts payable                    | \$ 15,860            |
| Due to student groups               | <hr/> 141,626        |
| <b>Total liabilities</b>            | <hr/> 157,486        |
| <br><b>Net Assets Held in Trust</b> | <br>\$ <hr/> <hr/> - |

See independent auditor's report and accompanying  
notes to financial statements

**LAWRENCE COUNTY SCHOOL DISTRICT**
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

|  | CONSTRUCTION<br>FUND | FSPK<br>Fund      | SEEK<br>Capital<br>Outlay<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------|-------------------|-----------------------------------|-------------------------|--|
| <b>Assets and Resources:</b>               |                      |                   |                                   |                         |  |
| Cash and cash equivalents                  | \$ 278,420           | \$ 324,840        | \$ 38,316                         | \$ 1,425                | \$ 643,001                                 |
| Inventory                                  | -                    | -                 | -                                 | -                       | -  |
| Accounts receivable                        |                      |                   |                                   |                         |  |
| Taxes - current                            | -                    | -                 | -                                 | -                       | -  |
| Taxes - delinquent                         | -                    | -                 | -                                 | -                       | -  |
| Accounts receivable                        | -                    | -                 | -                                 | -                       | -  |
| Intergovernmental - State                  | -                    | -                 | -                                 | -                       | -  |
| Intergovernmental - Indirect Federal       | -                    | -                 | -                                 | -                       | -  |
| Intergovernmental - Direct Federal         | -                    | -                 | -                                 | -                       | -  |
| Prepaid expenses                           | -                    | -                 | -                                 | -                       | -  |
| Due from other funds                       | -                    | -                 | -                                 | -                       | -  |
| Interest receivable                        | -                    | -                 | -                                 | -                       | -  |
| Investments                                | -                    | -                 | -                                 | -                       | -  |
| Furniture and equipment, net               | -                    | -                 | -                                 | -                       | -  |
| <b>Total Assets and Resources</b>          | <b>\$ 278,420</b>    | <b>\$ 324,840</b> | <b>\$ 38,316</b>                  | <b>\$ 1,425</b>         | <b>\$ 643,001</b>                          |
| <b>Liabilities and Fund Balances:</b>      |                      |                   |                                   |                         |  |
| Liabilities                                |                      |                   |                                   |                         |  |
| Accounts payable                           | \$ 7,889             | \$ -              | \$ -                              | \$ 327                  | \$ 8,216                                   |
| <b>Total Liabilities</b>                   | <b>7,889</b>         | <b>-</b>          | <b>-</b>                          | <b>327</b>              | <b>8,216</b>                               |
| <b>Fund Balances</b>                       |                      |                   |                                   |                         |  |
| Reserved for:                              |                      |                   |                                   |                         |  |
| Encumbrances                               | 211,350              | -                 | -                                 | -                       | 211,350                                    |
| Unreserved:                                |                      |                   |                                   |                         |  |
| Undesignated, reported in:                 |                      |                   |                                   |                         |  |
| Capital projects funds                     | 59,181               | 324,840           | 38,316                            | -                       | 422,337                                    |
| Debt service funds                         | -                    | -                 | -                                 | 1,098                   | 1,098                                      |
| <b>Total Fund Balances</b>                 | <b>270,531</b>       | <b>324,840</b>    | <b>38,316</b>                     | <b>1,098</b>            | <b>634,785</b>                             |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 278,420</b>    | <b>\$ 324,840</b> | <b>\$ 38,316</b>                  | <b>\$ 1,425</b>         | <b>\$ 643,001</b>                          |

**LAWRENCE COUNTY SCHOOL DISTRICT**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**
**NONMAJOR FUNDS**

Year ended June 30, 2005

|  | CONSTRUCTION<br>FUND | FSPK<br>Fund      | SEEK<br>Capital<br>Outlay<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------|-------------------|-----------------------------------|-------------------------|--|
| <b>Revenues</b>  |                      |                   |                                   |                         |  |
| From local sources   |                      |                   |                                   |                         |  |
| Taxes  |                      |                   |                                   |                         |  |
| Property   | \$ -                 | \$ -              | \$ -                              | \$ -                    | \$ -                                       |
| Motor vehicle  | -                    | -                 | -                                 | -                       | -  |
| Utilities  | -                    | 263,827           | -                                 | -                       | 263,827                                    |
| Occupational license fee   | -                    | -                 | -                                 | -                       | -  |
| Tuition and fees   | -                    | -                 | -                                 | -                       | -  |
| Earnings on investments  | 9,906                | -                 | -                                 | 67                      | 9,973                                      |
| Other local revenues   | -                    | -                 | -                                 | -                       | -  |
| Intergovernmental - State  | -                    | 414,716           | 231,190                           | 271,887                 | 917,793                                    |
| Intergovernmental - Indirect Federal   | -                    | -                 | -                                 | -                       | -  |
| Intergovernmental - Direct Federal   | -                    | -                 | -                                 | -                       | -  |
| <b>Total Revenues</b>  | <u>9,906</u>         | <u>678,543</u>    | <u>231,190</u>                    | <u>271,954</u>          | <u>1,191,593</u>                           |
| <b>Expenditures</b>  |                      |                   |                                   |                         |  |
| Instruction  | -                    | -                 | -                                 | -                       | -  |
| Support services:  |                      |                   |                                   |                         |  |
| Student  | -                    | -                 | -                                 | -                       | -  |
| Instruction staff  | -                    | -                 | -                                 | -                       | -  |
| Direct administrative  | -                    | -                 | -                                 | -                       | -  |
| School administrative  | -                    | -                 | -                                 | -                       | -  |
| Business   | -                    | -                 | -                                 | -                       | -  |
| Plant operation and maintenance  | -                    | -                 | -                                 | -                       | -  |
| Student transportation   | -                    | -                 | -                                 | -                       | -  |
| Central office   | -                    | -                 | -                                 | -                       | -  |
| Facilities and construction  | 624,089              | -                 | -                                 | -                       | 624,089                                    |
| Community service activities   | -                    | -                 | -                                 | -                       | -  |
| Other  | -                    | -                 | -                                 | 1,062,661               | 1,062,661                                  |
| <b>Total Expenditures</b>  | <u>624,089</u>       | <u>-</u>          | <u>-</u>                          | <u>1,062,661</u>        | <u>1,686,750</u>                           |
| <b>Excess (deficit) of revenues<br/>over expenditures</b>  | (614,183)            | 678,543           | 231,190                           | (790,707)               | (495,157)                                  |
| <b>Other Financing Sources (Uses)</b>  |                      |                   |                                   |                         |  |
| Proceeds from sale of bonds  | -                    | -                 | -                                 | -                       | -  |
| Proceeds from sale of fixed assets   | -                    | -                 | -                                 | -                       | -  |
| Operating transfers in   | 590,715              | -                 | -                                 | 790,774                 | 1,381,489                                  |
| Operating transfers out  | (302,889)            | (563,424)         | (227,350)                         | -                       | (1,093,663)                                |
| <b>Total Other Financing Sources (Uses)</b>  | <u>287,826</u>       | <u>(563,424)</u>  | <u>(227,350)</u>                  | <u>790,774</u>          | <u>287,826</u>                             |
| <b>Excess (deficit) of revenues and other<br/>financing sources over expenditures<br/>and other financing uses</b> | (326,357)            | 115,119           | 3,840                             | 67                      | (207,331)                                  |
| <b>Fund balance, July 1, 2004, as originally stated</b>  | 596,888              | 209,721           | 34,476                            | 1,031                   | 842,116                                    |
| <b>Prior period adjustment</b>   | <u>-</u>             | <u>-</u>          | <u>-</u>                          | <u>-</u>                | <u>-</u>                                   |
| <b>Fund balance, June 30, 2005</b>   | <u>\$ 270,531</u>    | <u>\$ 324,840</u> | <u>\$ 38,316</u>                  | <u>\$ 1,098</u>         | <u>\$ 634,785</u>                          |

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES**  
**LAWRENCE COUNTY SCHOOL DISTRICT ACTIVITY FUNDS**  
For the year ended June 30, 2005

**Lawrence County High School**

| Activity<br>Fund                       | Cash<br>Balance<br>June 30,<br>2004 | Receipts   | Disburse-<br>ments | Cash<br>Balance<br>June 30,<br>2005 | Accounts<br>Receivable<br>June 30,<br>2005 | Accounts<br>Payable<br>June 30,<br>2005 | Fund<br>Balance<br>June 30,<br>2005 |
|--|-------------------------------------|------------|--------------------|-------------------------------------|--|---|-------------------------------------|
| Academic                               | \$ 0                                | \$ 3,600   | \$ 3,600           | \$ 0                                | \$ 0                                       | \$ 0                                    | \$ 0                                |
| Art                                    | 603                                 | 893        | 384                | 1,112                               | 0  | 0                                       | 1,112                               |
| Athletic                               | 14,430                              | 85,922     | 72,531             | 27,821                              | 0  | 12,508                                  | 15,313                              |
| Class of 2005                          | 569                                 | 6,513      | 7,082              | 0                                   | 0  | 0                                       | 0                                   |
| Class of 2006                          | 442                                 | 7,840      | 7,428              | 854                                 | 0  | 0                                       | 854                                 |
| Class of 2007                          | 536                                 | 663        | 605                | 594                                 | 0  | 0                                       | 594                                 |
| Class of 2008                          | 0                                   | 1,377      | 842                | 535                                 | 0  | 0                                       | 535                                 |
| Coke (Student)                         | 1,842                               | 20,174     | 18,761             | 3,255                               | 0  | 444                                     | 2,811                               |
| Coke (Teacher)                         | 304                                 | 11,096     | 9,223              | 2,177                               | 0  | 156                                     | 2,021                               |
| Co-op                                  | 1,121                               | 0          | 0                  | 1,121                               | 0  | 0                                       | 1,121                               |
| D.E.C.A.                               | 25                                  | 9,126      | 9,143              | 8                                   | 0  | 0                                       | 8                                   |
| F.B.L.A.                               | 514                                 | 1,095      | 1,131              | 478                                 | 0  | 0                                       | 478                                 |
| F.C.C.L.A.                             | 661                                 | 0          | 0                  | 661                                 | 0  | 0                                       | 661                                 |
| F.F.A                                  | 765                                 | 745        | 1,222              | 288                                 | 0  | 165                                     | 123                                 |
| H.O.S.A.                               | 588                                 | 3,049      | 3,450              | 187                                 | 0  | 0                                       | 187                                 |
| Library                                | 217                                 | 227        | 152                | 292                                 | 0  | 0                                       | 292                                 |
| Locker                                 | 268                                 | 3,212      | 2,699              | 781                                 | 0  | 0                                       | 781                                 |
| Miscellaneous                          | 3,383                               | 6,419      | 8,986              | 816                                 | 0  | 0                                       | 816                                 |
| Music                                  | 581                                 | 13,011     | 12,208             | 1,384                               | 0  | 0                                       | 1,384                               |
| National Honor Society                 | 326                                 | 590        | 857                | 59                                  | 0  | 0                                       | 59                                  |
| Pep Club                               | 1,249                               | 5,389      | 5,064              | 1,574                               | 0  | 0                                       | 1,574                               |
| R.O.T.C.                               | 1,647                               | 999        | 2,388              | 258                                 | 0  | 0                                       | 258                                 |
| Text Book                              | 8,970                               | 10,757     | 17,467             | 2,260                               | 0  | 0                                       | 2,260                               |
| V.I.C.A.                               | 476                                 | 0          | 0                  | 476                                 | 0  | 0                                       | 476                                 |
| Vo-ag                                  | 3,815                               | 2,080      | 4,541              | 1,354                               | 0  | 0                                       | 1,354                               |
| Yearbook                               | 9,737                               | 5,109      | 11,107             | 3,739                               | 0  | 21                                      | 3,718                               |
| <b>Subtotals</b>                       | 53,069                              | 199,886    | 200,871            | 52,084                              | 0  | 13,294                                  | 38,790                              |
| Less Inter-Fund Transfers              |                                     | (2,804)    | (2,804)            |                                     |  |   |                                     |
| <b>Lawrence Co. High School Totals</b> | 53,069                              | 197,082    | 198,067            | 52,084                              | 0  | 13,294                                  | 38,790                              |
| <b>Other Schools</b>                   |                                     |            |                    |                                     |  |   |                                     |
| <b>Louisa Middle School</b>            | 30,932                              | 58,861     | 56,664             | 33,129                              | 0  | 1,021                                   | 32,108                              |
| <b>Louisa Elementary</b>               | 40,144                              | 123,188    | 129,021            | 34,311                              | 0  | 833                                     | 33,478                              |
| <b>Fallsburg Elementary</b>            | 8,048                               | 67,835     | 65,168             | 10,715                              | 0  | 712                                     | 10,003                              |
| <b>Blaine Elementary</b>               | 26,048                              | 32,355     | 31,157             | 27,246                              | 0  | 0                                       | 27,246                              |
| <b>Totals</b>                          | \$ 158,241                          | \$ 479,321 | \$ 480,077         | \$ 157,486                          | \$ 0                                       | \$ 15,860                               | \$ 141,626                          |



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2005

| Federal Grantor/<br>Pass-through Grantor/<br>Program title | Federal<br>CFDA<br>Number | Pass-<br>thru<br>Grantor's<br>Number | Program<br>or Award<br>Amount | Federal<br>Expenditures |
|--|---------------------------|--------------------------------------|-------------------------------|-------------------------|
| Direct Programs:   |                           |                                      |                               |                         |
| <u>U S Dept of Defense</u>                                 |                           |                                      |                               |                         |
| ROTC   | N/A                       | N/A                                  | \$ 47,479                     | \$ 44,656               |
| Total US Dept of Defense                                   |                           |                                      | 47,479                        | 44,656                  |
| Indirect Programs:   |                           |                                      |                               |                         |
| <u>US Dept of Agriculture</u>                              |                           |                                      |                               |                         |
| Passed thru State Dept of Ed.:                             |                           |                                      |                               |                         |
| * N'tl School Lunch  | 10.555                    | 0575-03-02                           | 562,850                       | 179,803                 |
|  |                           | 0575-04-02                           |                               | 383,047                 |
| School breakfast   | 10.553                    | 0576-03-05                           | 215,927                       | 64,800                  |
|  |                           | 0576-04-05                           |                               | 151,127                 |
| Summer Meal  | 10.559                    | 0574-03-23                           | 42,470                        | 42,470                  |
| Summer Sponsorship   | 10.559                    | 0574-04-23                           | 4,412                         | 4,412                   |
| Passed thru State Dept of Ag:                              |                           |                                      |                               |                         |
| Food Distrib(In-Kind Commodities)                          | 10.55                     | N/A                                  | 55,303                        | 55,303                  |
| TOTAL US DEPT OF AGRICULTURE                               |                           |                                      | 880,962                       | 880,962                 |
| <u>US DEPT OF LABOR</u>                                    |                           |                                      |                               |                         |
| Passed thru EKCEP:   |                           |                                      |                               |                         |
| Summer Youth Training                                      | 17.25                     | N/A                                  | 60,850                        | 18,035                  |
|  |                           |                                      | 60,850                        | 27,458                  |
| TOTAL US DEPT OF LABOR                                     |                           |                                      | 121,700                       | 45,493                  |
| <u>US DEPT OF EDUCATION</u>                                |                           |                                      |                               |                         |
| Passed thru state dept of Ed                               |                           |                                      |                               |                         |
| * Title I  | 84.010                    | 0531-04-01                           | 1,252,279                     | 500,747                 |
|  | 84.010                    | 0531-05-01                           | 1,212,773                     | 809,741                 |
| Title I Migrant  | 84.011                    | 0351-04-01                           | 49,856                        | 12,149                  |
|  | 84.011                    | 0351-05-01                           | 46,104                        | 34,515                  |
| Title II   | 84.281                    | 0530-02-03                           | 29,480                        |                         |
| Title II-C   | 84.048                    | 5462-04-32                           | 46,272                        | 46,272                  |
| Title IV   | 84.186                    | 0590-04-02                           | 31,187                        | 10,538                  |
|  | 84.186                    | 0590-05-02                           | 29,002                        | 19,362                  |
| Title 6  | 84.358                    | 0350-04-02                           | 69,014                        | 26,833                  |
|  | 84.358                    | 0350-05-02                           | 85,092                        | 61,695                  |
| * IDEA-B   | 84.207                    | 0581-04-02                           | 468,120                       | 325,665                 |
|  | 84.207                    | 0581-05-02                           | 520,053                       | 205,780                 |
| IDEA-B-P   | 84.173                    | 0587-04-02                           |                               | 27,404                  |
|  | 84.173                    | 0587-05-02                           | 27,375                        | 260                     |
| Carl Perkins Voc & Tech                                    |                           |                                      | 2,244                         | 2,244                   |
| 21st Century Learning Grant                                |                           |                                      | 350,000                       | 171,398                 |
| 21st Century Learning Grant SLE                            |                           |                                      | 116,608                       | 69,179                  |
| 21st Century Learning Grant LES                            | 84.287                    | 0744-04-03                           | 150,000                       | 114,932                 |
| UK Inclusion   |                           |                                      | 6,000                         | 2,556                   |
| Federal Education Technology                               | 84.318                    | 0736-04-02                           | 32,961                        | 211                     |
|  | 84.318                    | 0736-05-02                           | 33,652                        | 33,182                  |
| Title V  | 84.298                    | 0533-04-02                           | 20,000                        | 4,512                   |
|  | 84.298                    | 0533-05-02                           | 16,017                        | 15,843                  |
| Tech Prep  |                           |                                      | 14,100                        | 14,100                  |
| Gear Up Program  |                           |                                      | 5,563                         | 3,588                   |
| Teacher Quality  | 84.367                    | 0710-04-02                           | 279,564                       | 24,431                  |
|  | 84.367                    | 0710-05-02                           | 274,031                       | 214,315                 |
| Passed thru State Dept of Voc. Rehab.                      |                           |                                      |                               |                         |
| Vocational Rehabilitation                                  | 84.126                    | N/A                                  | 16,600                        | 2,578                   |
|  | 84.126                    | N/A                                  | 16,600                        | 14,747                  |
| TOTAL US DEPT OF EDUCATION                                 |                           |                                      | 5,200,547                     | 2,768,777               |
| TOTAL FEDERAL FINANCIAL ASSISTANCE                         |                           |                                      | \$ 6,250,688                  | \$ 3,739,888            |

\* DENOTES MAJOR PROGRAM

**LAWRENCE COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2005

*Daniel S. Howard, P.S.C.  
Certified Public Accountant  
Louisa, Kentucky*

# LAWRENCE COUNTY SCHOOL DISTRICT

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**LAWRENCE COUNTY SCHOOL DISTRICT**

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***Daniel S. Howard, P.S.C.***  
***Certified Public Accountant***

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Lawrence County School District  
Louisa, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawrence County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2005, on our consideration of Lawrence County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to disclose the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County's School District's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Lawrence County School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 24, 2005

**LAWRENCE COUNTY SCHOOL DISTRICT - LOUISA, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED June 30, 2005**

As management of the Lawrence County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$5,411,888.
- The ending cash balance for the District was \$4,712,873, however, unexpended construction funds were \$278,420 of this balance.
- Complete renovation of the High School Football Stadium was begun during the year with replacement of lights, bleachers, scoreboard, and sound system. Total estimated cost will be in excess of \$500,000.
- Renovation of the High School Softball Field was also begun during the year, which included construction of bleachers and a press box. Total estimated cost will be excess in of \$50,000.
- The General Fund had \$15,578,660 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there was \$15,522,872 in General Fund expenditures. Included in both revenue and expenditures was an offsetting entry for on-behalf payments made by the state in the amount of \$2,852,184.
- The fundable average daily attendance increased again for the second straight year resulting in increased state funding levels in the general fund.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$525,000 during the current fiscal year. As of the date of this report the District's current bonding potential is between \$800,000 and \$1.5 million. The District's credit rating as stated in Moody's Rating Service is Aa 3.
- The District remains committed to maintaining an excellent fleet of buses. The District purchased five buses during this fiscal year at a cost of \$324,475.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-36 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16.2 million as of June 30, 2005.



The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### **Net Assets for the period ending June 30, 2005**

The District's combined net assets increased 2.20% over the prior year. They increased from \$15,810,687 to \$16,158,465. Our analysis below focuses on the net assets (Table I) and changes in net assets (Table 2) of the District's combined governmental & business activities.

|  | <b><u>JUNE 30</u></b> |                      |
|--|-----------------------|----------------------|
|  | <b><u>2005</u></b>    | <b><u>2004</u></b>   |
| Current Assets                             | \$ 5,689,411          | \$ 6,264,217         |
| Noncurrent Assets                          | <u>23,293,386</u>     | <u>23,086,062</u>    |
| <b>Total Assets</b>                        | <b>\$ 28,982,797</b>  | <b>\$ 29,350,279</b> |
|  |                       |                      |
| Current Liabilities                        | \$ 1,226,885          | \$ 1,446,835         |
| Non Current Liabilities                    | <u>11,597,447</u>     | <u>12,092,757</u>    |
| <b>Total Liabilities</b>                   | <b>\$ 12,824,332</b>  | <b>\$ 13,539,592</b> |
|  |                       |                      |
| Net Assets                                 |                       |                      |
| Investment in capital assets (net of debt) | \$ 11,772,386         | \$ 11,040,062        |
| Restricted                                 | 634,785               | 842,116              |
| Unreserved Fund Balance                    | <u>3,751,294</u>      | <u>3,928,509</u>     |
| <b>Total Net Assets</b>                    | <b>\$ 16,158,465</b>  | <b>\$ 15,810,687</b> |

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

#### **Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2005, net of Interfund transfers, were \$22.3 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$713,195 more than budget or approximately six percentage points.
- The total cost of all programs and services was \$21.9 million net of debt service.
- General fund budget revenues and expenditures compared to actual varied significantly in several categories due to on-behalf payments in the amount of \$2,852,184 which were included in expenditures and revenue while the budget was not amended to reflect the on-behalf payments. Property taxes increased over budget in the amount of \$39,057. Utility taxes were also over budget in the amount of \$81,424. Interest income increased over budget by \$78,869 due to higher yields paid by the banks. Other revenues did not vary significantly. In expenditures, plant operations and maintenance varied significantly (\$990,864) which included funds budgeted toward the five-year facility plan.

The following table presents a district wide summary of revenue and expense for the fiscal years ended June 30, 2005 and June 30, 2004.

|  | <b><u>YEAR ENDED</u></b> |                         |
|--|--------------------------|-------------------------|
|  | <b><u>6/30/2005</u></b>  | <b><u>6/30/2004</u></b> |
| <b>Revenue:</b>                        |                          |                         |
| Charges for services                   | \$ 288,500               | \$ 271,906              |
| Operating Grants & Contributions       | 5,060,264                | 4,719,069               |
| Capital Grants & Contributions         | 81,749                   | 297,707                 |
| Taxes                                  | 2,618,033                | 2,573,826               |
| State & formula grants                 | 14,019,812               | 13,692,483              |
| Investment earnings                    | 106,795                  | 37,244                  |
| Miscellaneous                          | 89,560                   | 31,235                  |
| <b>Total revenue</b>                   | <b>22,264,713</b>        | <b>21,623,470</b>       |
| <b>Expenses:</b>                       |                          |                         |
| Instruction                            | 13,077,841               | 11,937,948              |
| Support services:                      | 5,665,025                | 5,571,273               |
| Facilities acquisitions & construction | -                        | -                       |
| Community service activities           | 367,243                  | 457,073                 |
| Site improvement                       | -                        | -                       |
| Interest on long term debt             | 536,358                  | 563,630                 |
| Depreciation                           | 1,049,563                | 994,756                 |
| Food service expense                   | 1,220,905                | 1,098,535               |
| <b>Total expense</b>                   | <b>21,916,935</b>        | <b>20,623,215</b>       |
| <b>Revenues in excess of expenses</b>  | <b>\$ 347,778</b>        | <b>\$ 1,000,255</b>     |

#### **General Fund Revenue**

The majority of revenue was derived from state funding, net of on- behalf payments, which made up 80% of total revenue with local taxes making up 19% of the total.

#### **Budget Allocation**

Site Based Decision Making Councils expended \$7.1 million of the general fund budget. The remaining general fund was expended by special needs which spent \$1.2 million, transportation cost were \$1.5 million, plant operations \$3.0 million, and other support services \$1.8 million.

#### **School Allocation**

Regular Instruction accounts for 78% of the school level expenditures.

## **BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency, however the state recommends 5-10%. The district adopted a budget with \$1,651,538 in contingency (7.24%). The beginning cash balance for beginning of this fiscal year was \$5,411,888. Significant Board action that impacts the finances include a salary increase of 3% for certified and classified personnel.

Questions regarding this report should be directed to the Superintendent, Jeff May (606) 638-9671 or to Tom Gibson, Director of Finance (606) 638-9671 or by mail at 50 Bulldog Lane, P.O. Box 607, Louisa, Kentucky 41230.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Lawrence County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Lawrence County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Lawrence County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Lawrence County Board of Education Finance Corporation – On June 17, 1991, the Lawrence County, Kentucky, Board of Education resolved to authorize the establishment of the Lawrence County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Lawrence County Board of Education also comprise the Corporation's Board of Directors.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 38. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds  
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

II. Proprietary Fund Type (Enterprise Fund) - continued

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

Basis of Accounting - continued

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2005, to finance the General Fund operations were \$.42 per \$100 valuation for property, and \$.154 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u>         | <u>Governmental Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years  |
| Land improvements          | 20 years   |
| Technology equipment       | 5 years  |
| Vehicles                   | 5-10 years   |
| Food service equipment     | 12 years   |
| Other                      | 7-10 years   |

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting payment method. The District estimates it accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the first-in, first-out method.

Prepaid Assets

On government-wide financial statements, payments made that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

On fund financial statements, expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$4,870,359. Of the total cash balance, \$127,246 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005 consisted of the following:

|                        | <u>Bank<br/>Balance</u> | <u>Book<br/>Balance</u> |
|------------------------|-------------------------|-------------------------|
| Inez Deposit Bank, FSB | \$ 5,724,950            | \$ 4,843,113            |
| Peoples Security Bank  | <u>32,235</u>           | <u>27,246</u>           |
|                        | <u>\$ 5,757,185</u>     | <u>\$ 4,870,359</u>     |

Breakdown per financial statements:

|                    |                     |
|--------------------|---------------------|
| Governmental funds | \$ 4,472,911        |
| Proprietary funds  | 239,962             |
| Agency funds       | <u>157,486</u>      |
|                    | <u>\$ 4,870,359</u> |

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| <u>Governmental Activities</u>            | <u>Balance</u><br><u>July 1, 2004</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance</u><br><u>June 30, 2005</u> |
|---|---------------------------------------|---------------------|---------------------|--|
| Land                                      | \$ 246,150                            | \$                  | \$                  | \$ 246,150                             |
| Buildings and improvements                | 23,932,524                            | 3,379,142           |                     | 27,311,666                             |
| Technology equipment                      | 2,554,365                             | 350,082             |                     | 2,904,447                              |
| Vehicles                                  | 2,896,471                             | 324,475             | 205,368             | 3,015,578                              |
| General equipment                         | 1,070,018                             | 40,434              |                     | 1,110,452                              |
| Construction in progress                  | <u>2,801,467</u>                      |                     | <u>2,801,467</u>    |  |
| Totals at historical cost                 | <u>33,500,995</u>                     | <u>4,094,133</u>    | <u>3,006,835</u>    | <u>34,588,293</u>                      |
| Less: accumulated depreciation            |                                       |                     |                     |  |
| Buildings and improvements                | 6,075,081                             | 537,172             |                     | 6,612,253                              |
| Technology equipment                      | 2,022,685                             | 243,452             |                     | 2,266,137                              |
| Vehicles                                  | 1,968,641                             | 165,501             | 192,177             | 1,941,965                              |
| General equipment                         | <u>434,213</u>                        | <u>103,438</u>      |                     | <u>537,651</u>                         |
| Total accumulated depreciation            | <u>10,500,620</u>                     | <u>1,049,563</u>    | <u>192,177</u>      | <u>11,358,006</u>                      |
| Governmental Activities                   |                                       |                     |                     |  |
| Capital Assets - Net                      | \$ <u>23,000,375</u>                  | \$ <u>3,044,570</u> | \$ <u>2,814,658</u> | \$ <u>23,230,287</u>                   |
| <u>Business-Type</u><br><u>Activities</u> |                                       |                     |                     |  |
| Food service equipment                    | \$ <u>616,325</u>                     | \$ <u>2,788</u>     | \$                  | \$ <u>619,113</u>                      |
| Totals at historical cost                 | <u>616,325</u>                        | <u>2,788</u>        |                     | <u>619,113</u>                         |
| Less: accumulated depreciation            |                                       |                     |                     |  |
| Food service equipment                    | <u>530,638</u>                        | <u>25,376</u>       |                     | <u>556,015</u>                         |
| Total accumulated depreciation            | <u>530,638</u>                        | <u>25,376</u>       |                     | <u>556,015</u>                         |
| Business-Type Activities                  |                                       |                     |                     |  |
| Capital Assets - Net                      | \$ <u>85,687</u>                      | \$ <u>(22,589)</u>  | \$                  | \$ <u>63,098</u>                       |

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The original amount of each issue, the issue date, and interest rates are summarized below:

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u>    |
|-------------------|-----------------|-----------------|
| 1998              | \$ 597,820      | 4.000% - 5.400% |
| 1999              | 5,280,000       | 3.250% - 4.250% |
| 2000              | 5,200,000       | 5.000% - 5.250% |
| 2003              | 2,315,000       | 4.000% - 4.125% |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Lawrence County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The following is a summary of the bonded debt transactions of the Lawrence County School District for the year ended June 30, 2005.

|                              |                      |
|------------------------------|----------------------|
| Bonded debt July 1, 2004     | \$ 12,046,000        |
| New debt issued              | 0                    |
| Scheduled principal payments | ( <u>525,000</u> )   |
| Bonded debt June 30, 2005    | <u>\$ 11,521,000</u> |

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED**

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Participation</u> | <u>District's<br/>Portion</u> |
|-------------|----------------------|---------------------|----------------------|-------------------------------|
| 2005-06     | \$ 546,000           | \$ 515,928          | \$ 271,884           | \$ 790,043                    |
| 2006-07     | 567,000              | 492,957             | 271,885              | 788,072                       |
| 2007-08     | 593,000              | 468,705             | 271,885              | 789,819                       |
| 2008-09     | 615,000              | 442,912             | 271,887              | 786,025                       |
| 2009-10     | 641,000              | 415,837             | 271,885              | 784,952                       |
| 2010-11     | 673,000              | 387,307             | 271,885              | 788,422                       |
| 2011-12     | 700,000              | 357,113             | 271,885              | 785,228                       |
| 2012-13     | 731,000              | 325,143             | 271,886              | 784,258                       |
| 2013-14     | 768,000              | 291,269             | 271,886              | 787,383                       |
| 2014-15     | 790,000              | 255,824             | 259,669              | 786,155                       |
| 2015-16     | 682,000              | 223,923             | 229,960              | 675,963                       |
| 2016-17     | 715,000              | 189,886             | 229,960              | 674,926                       |
| 2017-18     | 705,000              | 154,063             | 182,323              | 676,740                       |
| 2018-19     | 740,000              | 118,956             | 182,613              | 676,344                       |
| 2019-20     | 775,000              | 82,006              | 182,392              | 674,615                       |
| 2020-21     | 780,000              | 44,331              | 149,701              | 674,630                       |
| 2021-22     | 245,000              | 20,625              | 66,469               | 199,156                       |
| 2021-23     | <u>255,000</u>       | <u>10,519</u>       | <u>66,469</u>        | <u>199,050</u>                |
| TOTALS      | \$ <u>11,521,000</u> | \$ <u>4,797,304</u> | \$ <u>3,996,523</u>  | \$ <u>12,321,781</u>          |

**NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES**

As of June 30, 2005 the District had not entered into any leases,



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE G – RETIREMENT PLANS**

The Lawrence County Schools contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Ky 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program, for any salaries paid by that program, pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring a four (4) year college certification by KY Department of Education (KDE).

The Lawrence County School District's total payroll for the year was \$12,739,788. The payroll for employees covered under KTRS was \$9,784,814. For the year ended June 30, 2005, the Commonwealth contributed \$1,134,687 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2005 were \$147,613, which represents those employees covered by federal programs. Employees contributed \$964,293 for the year ended June 30, 2005.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholding of 5.00% and a district contribution of 8.48% of the employee's total compensation subject to contribution. The District's contribution for CERS for the year ended June 30, 2005 was \$381,086, which consisted of \$239,733 from the District and \$141,353 from the employees. Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the Plan Documents.

Additional information and historical trend information can be obtained from the Annual Financial Report issued by the Kentucky Retirement System.

**NOTE H – COMMITMENTS**

The Board has entered into construction contracts totaling \$502,718 for the renovation of the Lawrence County High School Stadium. At June 30, 2005, \$4,800 in funds has been encumbered to pay for uncompleted contracts.

The Board has also entered into a construction contract in the amount of \$2,491,454 with Standafer Builders for the renovation of the Lawrence County High School. The performance of this contract up to the required standards is in question which has resulted in litigation proceedings. The final settlement amount is in dispute, however the amount of \$206,550 is recorded as an encumbrance of the Construction Fund Balance.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE I - CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE J - LITIGATION**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**NOTE K - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

**NOTE L - RISK MANAGEMENT**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M - DEFICIT OPERATING BALANCES**

There are no funds of the District that have a deficit fund balance.

**NOTE N - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2005

**NOTE O - TRANSFER OF FUNDS**

The following transfers were made during the year:

| <u>Type</u> | <u>From Fund</u> | <u>To Fund</u>  | <u>Purpose</u>   | <u>Amount</u> |
|-------------|------------------|-----------------|------------------|---------------|
| Matching    | General          | Special Revenue | Technology Match | \$ 31,904     |
| Operating   | General          | Construction    | Construction     | 590,715       |
| Operating   | Capital Outlay   | Debt Service    | Debt Service     | 563,424       |
| Operating   | Building         | Debt Service    | Debt Service     | 227,350       |
| Operating   | Construction     | General         | Close Projects   | 302,889       |
| Operating   | Food Service     | General         | Indirect Costs   | 66,495        |

**NOTE P – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2005.

**NOTE Q – ON-BEHALF PAYMENTS**

The following on-behalf payments for employee fringe benefits and retirement were made by the State for the Lawrence County School District during the year:

- Health & life insurance \$1,776,740
- KTRS employer contributions \$1,134,687

The net amount of these payments was \$2,911,427 and was recorded as revenue under State Aid-Formula Grants and as an offsetting expense for each salary function. Of this amount, \$2,852,184 was recorded in the General Fund financial statements and \$59,243 was recorded in the Food Service financial statements.

## **SUPPLEMENTARY INFORMATION**

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2005

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lawrence County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

***Daniel S. Howard, P.S.C.***

***Certified Public Accountant***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education  
Lawrence County School District  
Louisa, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of and for the year ended June 30, 2005, which collectively comprise the Lawrence County School District's basic financial statements and have issued our report thereon dated October 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lawrence County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Lawrence County School District in a separate letter dated October 24, 2005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lawrence County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The results of our tests disclosed one instance of noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditor's Contract-State Audit Requirements* which is described in the accompanying schedule of findings and questioned costs and identified as item 05-01.

We noted certain other matters that we reported to management of the Lawrence County School District in a separate letter dated October 24, 2005.

This report is intended for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Lawrence County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these parties.

October 24, 2005

***Daniel S. Howard, P.S.C.***

***Certified Public Accountant***

P.O. Box 809  
2425 Route 2565  
Louisa, Kentucky 41230  
Phone (606) 638-4470

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education  
Lawrence County Board of Education  
Louisa, Kentucky

**Compliance**

We have audited the compliance of Lawrence County School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Lawrence County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lawrence County School District's management. Our responsibility is to express an opinion on Lawrence County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawrence County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lawrence County School District's compliance with those requirements.

In our opinion, Lawrence County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of Lawrence County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lawrence County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Lawrence County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 24, 2005

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED June 30, 2005**

Section 1: Summary Of Auditor's Results

1. An unqualified opinion was issued on the basic financial statements.
2. The audit of the basic financial statements did not disclose any material weaknesses in internal control.
3. The audit did not disclose any noncompliance which is material to the basic financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under section \_\_\_\_\_.510(a) of OMB Circular A-133.
7. The major programs were: (1) National School Lunch Programs CFDA Number 10.555 (2) Title I CFDA Number 84.010 (3) IDEA-B-P CFDA Number 84.207`
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

Section 2: Reportable Conditions On Compliance And Internal Control Over Financial Reporting In Accordance With Government Auditing Standards

Finding 05-01:

Observance of approved single salary schedule (KRS 157.320(12) and 157.350(3); 702 KAR 3:070) – Management disclosed, during the entrance conference that one certified employee was paid at a rank level higher than the employee was certified for.

Management's response:

A staff member not receiving an extension on certification for which they had requested created the situation. The incorrect rank had been posted on the certification web site and was not discovered until late into the school year. Proper authorities have been consulted and the situation corrected. The overpayment of funds is currently being paid back to the district.

Section 3: Reportable Conditions On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.

1. No new findings.

**LAWRENCE COUNTY SCHOOL SYSTEM**

**50 Bulldog Lane**

**P.O. Box 607**

**Louisa, Ky. 41230**

**(606-638-9671)**

AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Audit findings

There were no audit findings in the prior year.

***Daniel S. Howard, P.S.C.***

***Certified Public Accountant***

P.O. Box 809  
2425 Route 2565  
Louisa, Kentucky 41230  
Phone (606) 638-4470

October 24, 2005

Members of the Board of Education  
Lawrence County School District  
Louisa, Kentucky

In planning and performing our audit of the financial statements of Lawrence County School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. We also performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

However, during our audit we became aware of instances that are opportunities for strengthening internal controls and operating efficiency and matters of noncompliance, which were not material to the financial statements. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 24, 2005 contains our report on reportable conditions and material weaknesses in the District's internal control structure and on the District's compliance with certain laws, regulations, contracts and grants. This letter does not affect our report dated October 24, 2005, on the financial statements of the Lawrence County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Daniel S. Howard, P.S.C.  
Certified Public Accountant

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED June 30, 2005**

**STATUS OF PRIOR YEARS FINDINGS:**

- Prior years findings have been addressed and corrective action taken.

**CURRENT YEAR FINDINGS:**

**Activity Funds**

1. Concession sales at Blaine and Fallsburg Elementary should be treated as fundraisers with the appropriate form F-SA-2B being filled out with beginning and ending inventories reconciled for each event. Ending inventories from one event should match the next events beginning inventory.

Managements ' response:

The Principals at both schools will be notified of audit findings and instructed to take appropriate action, as explained within the Red Book for activity accounts and procedures, immediately.

2. An outside activity, at Fallsburg Elementary, from which ticket sales and concession sales are generated, did not turn in a financial statement for the year ended June 30, 2005.

Managements' response:

The principal will be notified immediately to obtain financial statements from all outside activity groups and instructed to do so immediately.

**General Fund**

3. The responsibilities for preparing bank deposits should be segregated from those of recording revenue into Munis.

Managements' response:

The responsibility for preparing bank deposits and entering revenue into Munis will be segregated. The Financial Officer will log receipts into general ledger book and the Treasurer will enter figures into Munis.

